

Report to Congress

Submitted Pursuant to U.S. Policy in Iraq Act, Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (PL 109-163)

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Introduction

This report is submitted pursuant to Section 1227(c) of the National Defense Authorization Act for Fiscal Year 2006 (Public Law 109-163) concerning United States Policy in Iraq. The report covers the security, political, and economic measures that are being or have been undertaken primarily during the reporting period September 15, 2007-December 31, 2007 (for convenience, referred to here as the Fourth Quarter of 2007).

Following this introduction, this report is organized into the following sections: (1) the current mission in Iraq and measures taken to support it; (2) Iraqi progress towards a sustainable political settlement; (3) conditions necessary for a transfer of security responsibility to Iraqi Security Forces (ISF); (4) ISF capacity and readiness; (5) criteria used to evaluate progress in that area; and (6) our plan for successfully completing the mission.

The focus of United States policy in Iraq remains on helping the Iraqi people to build a constitutional, representative government that respects the rights of all Iraqis and has security forces capable of maintaining order and preventing the country from becoming a safe haven for terrorists and foreign fighters. The ultimate goal is an Iraq that is peaceful, united, stable, democratic, and secure, with institutions capable of providing just governance and security for all Iraqis. In order to accomplish these goals, the efforts of the United States Government (USG), the Government of Iraq (GOI), governments of Coalition states, and the international community must be integrated. Active participation of the United Nations (UN) and states involved in the Expanded Neighbors of Iraq Process will be key. U.S. policy outlines goals and measures progress along three tracks: security, political, and economic. Ultimately, responsibility for success in these efforts lies with the Iraqi people.

Security Track

The continued implementation of the *New Way Forward* strategy has considerably improved overall levels of security during the past quarter. The emphasis on population security, including the temporary surge in U.S. force levels and the concentration of Iraqi forces, has improved the security environment and is creating momentum towards sustainable stability. The “tribal awakening” movement and concerned local citizens (CLCs) groups have worked with the GOI and the Coalition, including Provincial Reconstruction Teams (PRTs), to improve security and economic conditions at the local level.

The number of security incidents has fallen significantly and is now at levels not seen since the summer of 2005. Overall civilian casualties, enemy attacks, and total improvised explosive device attacks have decreased markedly over the reporting period. Ethno-sectarian violence has significantly decreased but remains a concern and is closely monitored by Multi-National Force Iraq (MNF-I). Anbar Province, once considered by some to be lost to the insurgency, has taken the lead in reduction of violence.

Coalition forces continue to transfer responsibility for security to the GOI with 108 Iraqi Army battalions in the lead for counterinsurgency operations in their areas of operation. Basrah Province transitioned to Provincial Iraqi Control (PIC) on December 16, bringing the total number of provinces for which the GOI has lead security responsibility to nine of a total of 18.

The Coalition focus is on improving the proficiency of all Iraqi Ministry of Defense (MoD) and Ministry of Interior (MoI) units, primarily through the efforts of Coalition unit partnering and embedded transition, advisory, and training teams. Currently, there are 481 MNC-I transition teams and 121 MNSTC-I Advisory and Training Teams. The transition teams are embedded at all levels within the Iraqi police, border force, national and military units. The advisory and training teams assist Iraqi security forces in advancing support capabilities in the areas of logistics, sustainment, intelligence, counterintelligence, medical operations, and other areas.

Political Track

During this reporting period, Prime Minister Maliki and President Bush signed a Declaration of Principles for a Long-Term Relationship of Cooperation and Friendship, a statement of intent that establishes common principles to frame our future relationship.

The Prime Minister continues to face challenges with his national Cabinet; ten positions formerly held by Tawafuq (Sunni Arab bloc), Iraqiya (Nationalists), and the Sadrists remain vacant. While Maliki filled two of the six ministerial positions previously held by the Sadrists, the process to fill the remaining positions has been slow. Maliki continues to reach out to bloc leaders to encourage their return. In a major speech on November 12, Maliki called for an amnesty program for insurgents, a move that would help to address a core Tawafuq demand.

On October 3, the Council of Representatives (CoR) passed an amendment to the Unified Pension Law and, on December 9, the Presidency Council signed the law. This law will contribute to de-Ba'athification reform, because it sets agreed-upon conditions under which former Ba'ath Party members are eligible to receive pensions. The draft de-Ba'athification Reform Law (the Law of Accountability and Justice), which deals more broadly with De-Ba'athification -- including government employment of former Ba'ath Party members -- was endorsed in the August 26 Leaders' Communiqué and approved by the Council of Ministers (CoM). The bill has had two of the three necessary readings in the CoR.

Important political developments are also taking place at the provincial level. Provincial governments are working more closely with the central government and are allocating and disbursing their budgets at a significantly faster rate than in 2006, reflecting their improved governance capacity. Anbar, Babil, Dhi Qar, Baghdad, and Basrah provinces have held provincial development forums, attended by national government leaders and focused on strengthening connections between Iraq's national and provincial governments. Provincial governments are required to submit a Provincial Development Strategy to the Ministry of Planning; all but one province has submitted a strategy. This helps central and provincial governments to coordinate joint projects, de-conflict existing ventures, and align funding priorities in future budget submissions to the Ministry of Finance (MoF). In addition to economic progress, the greater capabilities of provincial governments increase the legitimacy of the political process and increase national cohesion.

The United States and the GOI have been working with the international community to address the issue of Iraqi refugees and internally displaced persons (IDPs). There are an estimated 2 million Iraqi refugees and 2.4 million IDPs. Jordan and Syria largely stopped admitting refugees in April and October 2007, respectively. The Office of the UN High Commissioner for Refugees (UNHCR) recently reported approximately 1,000 people per day are returning to Iraq from Syria. However, it is not clear whether this rate of return will continue. Of these, approximately 70 percent are returning because they either cannot afford to live in Syria or their residency permits are expired according to a UNHCR survey. Fourteen percent stated they were returning due to improvements in security.

The GOI, USG, and international organizations are striving to provide assistance and expand services to returning Iraqis. The USG has encouraged the GOI, international humanitarian agencies, and Non-Governmental Organizations (NGOs) to work more closely with each other and neighboring governments to

ensure Iraqi refugees have access to essential services. The State Department and USAID have increased humanitarian assistance for displaced Iraqis from \$43 million in FY 2006 to almost \$200 million in FY 2007, and we have requested \$275 million in FY 2008. Through the U.S. Refugee Admissions Program (USRAP) 1,608 Iraqi refugees were resettled in the United States in FY 2007. The USG plans to admit 12,000 Iraqi refugees during FY 2008.

During this quarter, the United States increased the number of PRTs in Iraq from 20 to 25, bolstering the “civilian surge” announced by the President last January. In late August, the Embassy launched a Quick Response Fund program to provide PRTs a flexible mechanism to accelerate economic and social development and support moderate Iraqi leaders in local government and civil society. Surge staffing of all 25 PRTs was completed December 31, more than doubling the number of PRT personnel compared to January of this year. The backfill of civilian specialists provided by the Department of Defense began in November and will continue into 2008 according to a schedule agreed to by State and Defense. Incoming PRT staff from various agencies continued to benefit from specialized PRT training conducted at the Foreign Service Institute prior to their deployment, fostering unprecedented unity of civilian-military effort.

Many political challenges remain. We continue to press the Prime Minister to increase his efforts and reach a compromise with Tawafuq and Iraqiya either to facilitate their return to the Cabinet or to seek their approval for new candidates to fill the vacant Cabinet positions. We also continue to urge Iraq’s political leaders to make the tough compromises necessary to pass key legislation. The CoR is striving to pass the 2008 budget and de-Ba’athification reform before the end of the parliamentary session. Looking ahead, the GOI needs to redouble its efforts to pass the hydrocarbons framework, the Provincial Powers law, and an elections law, which will set the legal basis and structure of provincial and national elections and allow election dates to be chosen. Constitutional review, including possible referendum on constitutional amendments, also must be brought to conclusion. There is also pressing need to move forward with the Article 140 process and address the future status of Kirkuk and other disputed territories. As part of its expanded mandate under UNSCR 1770, the United Nations Assistance Mission to Iraq (UNAMI) will, at the request of Iraqi authorities, provide technical expertise towards implementing Article 140 of the Iraqi Constitution.

Economic Track

Iraqi leaders are upbeat about the direction of the country's economy. Iraq's inflation has fallen by half as a result of an appreciation of the exchange rate and tightened monetary policy. By November, the overall year-on-year inflation rate was down to 15.5 percent and core inflation (excluding fuel and transportation) was down to 15.4 percent.

Due in part to USG capacity-building initiatives, both GOI ministries and provincial governments have improved their ability to meet the needs of the Iraqi people by working to develop and spend their own capital reconstruction budgets, better drawing on Iraq's considerable resources. Both GOI ministries and provincial governments are making sustained progress over 2006 performance in executing their budgets, although further improvement is needed. Recent data from the MoF indicate that, through August 31, central government ministries had spent 35 percent of their 2007 capital budgets. Significant improvement is still needed for the GOI to maintain fiscal stability and meet its financial goals and obligations in the coming years.

In 2007 the provinces have significantly improved their technical capacity in the area of financial operations, resulting in improved provincial budget execution. The PRTs have provided significant technical assistance and support to provincial governments and facilitated improved Iraqi performance. Challenges remain, however, including a cumbersome system of funds release, inadequate coordination between provincial officials and the national government, and little budget delegation below the provincial level. Provinces have taken the lead in other areas, too, some of them holding provincial development forums to discuss local economic development. Anbar, Babil, Baghdad, Basrah, and Dhi Qar provinces have all held such forums, thus facilitating greater coordination between provincial governments and the central government.

The GOI is currently negotiating the 2008 Federal Budget Law. A draft was passed by the CoM on November 10 and was read in the CoR on November 19. The law received its second of three required readings on December 5, with budget deliberations to resume in late December. This is slightly behind the schedule laid out by the Budget Law, but well ahead of the significantly delayed 2007 budget. The GOI has planned for contingencies to keep the ministries funded, should the 2008 budget not pass by January 1, 2008. In addition, the MoF plans to rollover all unspent capital expenses for ministries and provinces, which should allow capital programs to continue operating.

The GOI's increased focus on infrastructure this year has resulted in improvements to essential services. Electricity supply in September was at an all-time monthly high. Since then, generating units have been taken off line for regular seasonal maintenance, but supply continues to be above the level for this period in any previous year.

Crude oil production averaged 2.36 million barrels per day during the fourth quarter of 2007. This represents a 12.8 percent increase over third quarter performance. Crude oil exports averaged 1.59 million barrels per day during the fourth quarter of 2007. This represents a 10.1 percent decrease from third quarter performance. Crude oil prices were well above the \$50 per barrel target during the fourth quarter of 2007, significantly increasing government revenue.

On the legislative front, the GOI pass legislation for a new pension system. The amendments to the Unified pension law provide for a financially sound foundation to the pension system and will expand coverage to qualified civilian and military Iraqis not covered under the original law, including officials of the former regime.

Although the CoM approved a national hydrocarbon framework law on February 26, the CoM had the draft vetted for constitutionality, which then led to edits. These edits became a source of disagreement between the GOI and the Kurdistan Regional Government (KRG), and several different drafts were submitted to the CoR in July. In August, the KRG passed its own hydrocarbon law and began signing a new series of contracts with international oil companies. The parties continue to discuss outstanding issues in an effort to come to consensus on a national hydrocarbon framework law.

Iraq continues to progress in its relations with the international community. The International Monetary Fund's (IMF) Board of Directors considered a new Stand-By Arrangement (SBA) for Iraq on December 19, which will supersede the previous SBA. The fact that the new SBA is going to the IMF Board reflects that IMF staff judges that Iraq is adequately accomplishing its commitments under the SBA. Iraqi authorities have requested the new SBA in order to build on the country's macroeconomic gains, to facilitate investment and output in the oil sector, and to proceed with key structural reforms initiated under the current SBA. These structural reforms include strengthening public financial management and the accounting framework of the Central Bank of Iraq, restructuring of the two

largest public banks, and strengthening governance in the oil sector. The new SBA would be valid through March 2009.

Following the May 2007 launch of the International Compact with Iraq (ICI), the GOI took significant steps to establish an ICI Secretariat and the supporting working groups. The October 29 Donors Committee meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) enhanced donor coordination and commitments from the GOI to meet the benchmarks outlined in the ICI. This was subsequently reconfirmed at the December 8 IRFFI Donor Committee meeting in Baghdad. On December 10 the GOI hosted a meeting of the Baghdad Coordination Group to announce formally the appointment of the ICI Secretary, the standing up of the Secretariat (including a physical office and staffing for the Secretariat), and the progress achieved by the ICI Thematic Working Groups.

During this quarter, Iraq secured additional development assistance from Japan and Kuwait for infrastructure projects and humanitarian assistance. The GOI also made progress reducing its Saddam-era debt, signing a debt reduction agreement with Bulgaria, and engaging in discussions with other sovereign creditors. Russia is the only Paris Club member that has not yet signed a bilateral agreement to reduce its Iraqi debt.

I. The current military mission and the diplomatic, political, economic, and military measures that are being or have been undertaken to successfully complete or support that mission.

In fulfillment of the MNF-I mandate under United Nations Security Council Resolution (UNSCR) 1546, as extended by UNSCR 1790 through December 31, 2008, MNF-I, in partnership with the Iraqi government, conducts full-spectrum counter-insurgency operations and assists the Iraqi government to train and equip the ISF. On December 7, Prime Minister Maliki requested that the UN Security Council extend the mandate of the MNF-I for an additional year and stated Iraq's expectation that this would be Iraq's last request for an extension of the mandate. UNSCR 1790 was adopted unanimously by the UN Security Council on December 18.

Prior to this request, on November 26, President Bush and Prime Minister Maliki signed a Declaration of Principles for a Long-Term Relationship of Cooperation and Friendship and agreed to a one year renewal of the UNSC Resolution authorizing MNF-I under Chapter VII of the UN Charter. This

statement of shared intent commits the leaders of Iraq and the United States to begin negotiating the formal arrangements that will govern our relationship and allow for future cooperation, based on shared interests, in the political, diplomatic, economic, and security arenas.

(A) Efforts to convince Iraq's main communities to make the compromises necessary for a broad-based and sustainable political settlement;

In his September 13 address to the nation, President Bush reaffirmed his commitment to the *New Way Forward* in Iraq. The security of the Iraqi population is the foundation for other progress, including political. As security conditions improve, GOI officials are better able to provide services, develop the economy, and work out compromises on key pieces of legislation.

The United States has worked closely with GOI leaders in pursuing reconciliation at both the national and local levels. At the national level, Secretary of State Condoleezza Rice, Secretary of Defense Robert Gates, Deputy Secretary of State John Negroponte, Deputy Secretary of Treasury Robert Kimmitt, Senior Advisor and Coordinator for Iraq David Satterfield, and Under Secretary Reuben Jeffrey recently traveled to Iraq to engage senior Iraqi political leadership on key legislation. In addition, the embassy continues to work with Iraqi leaders on a daily basis.

The CoR successfully passed an amendment to the Unified Pension Law on October 3 and the Presidency Council signed it on December 9. The Pension Law amendment is significant because it is 'blind' to former membership in the Ba'ath party and allows government employees to retire and receive a pension. Its passage helps to facilitate further Sunni engagement in the reconciliation process. The passage of this law helps to pave the way for progress on de-Ba'athification reform. On December 1, the Leaders' Draft of the Law of Accountability and Justice (endorsed at the August 26 Leaders' Meeting) had its second reading in the CoR. A third reading and vote is required for the legislation to pass. This legislation could give thousands of former Ba'athists the option of returning to their former government jobs or drawing a pension for past government employment.

Hydrocarbons legislation is envisioned as four components, each of which is at a different stage in the legislative progress. The Framework Law, which helps define the control of Iraq's oil structure between the central and provincial

governments, was approved by the CoM, but subsequent revisions by the Shura Council prompted the parties to re-open the text, and they have not yet resolved their differences. The Iraq National Oil Company Reconstitution Law has been sent to the CoM for review. The Revenue Management Law, which will help determine the level of central government control over oil revenue and its distribution, has been drafted and is being vetted within the GOI. It has not yet been formally submitted to the CoM. Finally, progress on the Oil Ministry Reorganization Law is pending resolution of the other components of the hydrocarbons legislation. Oil contracts signed by the Kurdish Regional Government have complicated negotiations on hydrocarbons legislation. The United States has actively discouraged both Kurdish leaders and oil companies from signing oil contracts prior to passage of the national hydrocarbons framework law.

The United States has also facilitated reconciliation by releasing detainees, the vast majority of which are Sunni, during the Islamic holy month of Ramadan. Coalition forces, in coordination with the GOI, reviewed cases and released approximately 1,400 eligible detainees to foster goodwill and reconciliation during Ramadan. These efforts were augmented by Prime Minister Maliki's November 12 announcement that he intends to pursue an amnesty law that would cover former insurgents. The release of detainees has been a priority of Sunni political leaders and is one of their core demands to facilitate ending their Cabinet boycott.

On refugees and IDPs, the USG has pushed the GOI, international humanitarian agencies, and NGOs to work more closely with each other and neighboring governments to ensure they have access to essential services. The State Department and USAID has increased its humanitarian assistance for displaced Iraqis from \$43 million in FY 2006 to almost \$200 million in FY 2007, and has requested \$275 million in FY 2008.

At the provincial and local level, the improved security environment has allowed the United States to expand its outreach efforts and work with Iraqi provincial political leaders. PRTs and embedded PRTs (ePRTs) continue to facilitate localized reconciliation and political accommodation. Most recently, PRT Kirkuk was instrumental in facilitating an agreement that ended the Sunni Arab boycott of the Kirkuk Provincial Council and produced a power-sharing accord between Kurdish lawmakers and Sunni Arabs. PRT Kirkuk continues to work with Turkmen to end their boycott of the Provincial Council.

In September, the United States hosted Anbari provincial leaders as part of a State Department program that educates foreign leaders on the U.S. government system. The leaders met with President Bush, Secretary Rice, Secretary Gates, and National Security Adviser Hadley, among others. Their visit to the United States provided both sides with an opportunity to discuss how to continue translating the improved security situation facilitated by the “tribal awakening” into sustainable political and economic gains. PRTs and Coalition Forces are working with Sunni and Shi’a sheikhs in Iraq to expand the tribal awakening outside of Anbar Province.

(B) Engaging the international community and the region in efforts to stabilize Iraq and to forge a broad-based and sustainable political settlement;

During this reporting period, the Iraqi government continued to work with the international community to promote security, economic growth, and political progress in Iraq. At present, in addition to the United States (which contributes 162,100 troops), 26 countries provide over 11,500 troops to MNF-I, with the United Kingdom, Poland, the Republic of Korea, and Australia among major contributors. Six countries that are not part of MNF-I contribute forces to the NATO training team. Two additional countries contribute to UNAMI security. Several troop contributory nations, in consultation with the United States, have elected to either reduce or increase the size of their deployments to Iraq in 2008 based on the changing environment there and their own domestic capacities.

The international community took several additional steps to show its support for Iraq during the reporting period. On September 22, UN Secretary-General Ban Ki-moon and Iraqi Prime Minister Nuri Al-Maliki co-chaired a high-level meeting on Iraq at the UN that was attended by Iraq’s neighbors, permanent members of the Security Council, the European Union, and others. Participants voiced support for an enhanced UN role in Iraq, and broad areas for cooperation were discussed.

On November 3, an Expanded Neighbors of Iraq Ministerial was held in Istanbul, Turkey -- a follow-up to a successful ministerial held in May in Sharm el Sheikh, Egypt. Participants in the Istanbul Ministerial included the neighboring countries of Iraq plus Bahrain and Egypt, the P5, G8, European Union, UN, Organization of Islamic Conference, and the Arab League. Prime Minister Maliki, Secretary Rice, and Secretary-General Ban were all in attendance; most other delegations were represented at the foreign minister level. Participants issued a

final communiqué that welcomed greater UN involvement in Iraq, condemned Kurdistan Workers Party (PKK) terrorist attacks on Turkey, endorsed the creation of a “support mechanism” for the ongoing Expanded Neighbors Process, and called for concrete assistance for refugees. Kuwait agreed to hold the next Expanded Neighbors of Iraq Ministerial in early 2008.

At the Expanded Neighbors ministerial in Istanbul, the GOI also encouraged neighboring states to send ambassadors to Baghdad, and during a November visit to Kuwait, Iraqi President Jalal Talabani followed up on this issue, pledging that the GOI would provide security teams to help provide protection for Arab envoys. On November 28, a Russian consulate general was officially opened in Erbil, and the Russian Ambassador to Iraq announced plans to open an additional consulate in Basrah. France has also announced plans to open a regional embassy office in Erbil.

On August 10, the UN Security Council unanimously passed resolution 1770 (2007) renewing the mandate of the UNAMI and expanding it to include assisting the GOI in advancing national reconciliation, among other things. Staffan de Mistura was named as the new Special Representative of the Secretary-General (SRSG) in Iraq and assumed his responsibilities in Baghdad on November 11. De Mistura has said that he will focus UNAMI efforts on national reconciliation and national dialogue, including the Article 140 process (Kirkuk and other disputed territories) as well as refugees and IDPs. Regional dialogue will also be a high priority.

The ICI, launched at Sharm El-Sheikh in May 2007, provides the overarching framework for coordinating and enhancing donor assistance to Iraq, with the goal of Iraqi economic self-sufficiency by 2013. The IRFFI Donors Committee met in Bari, Italy, on October 29. The international community also provided economic support to Iraq through other initiatives during the reporting period (covered in greater detail in section 1e).

The United States has been working closely with the GOI and the international community to address the issue of Iraqi refugees and IDPs. The USG continues to encourage the GOI, international humanitarian agencies, and NGOs to work more closely with each other and neighboring governments to ensure Iraqi refugees have access to essential services. Ambassador James Foley, the Secretary’s Senior Coordinator for Iraqi Refugees, traveled to the region in late October, and he met with Iraqi, Jordanian, and Syrian officials to reiterate our

commitment to providing assistance to Iraqi refugees as well as our commitment to the United States resettlement program.

(C) Strengthening the capacity of Iraq's government ministries;

Capacity development (CD) is a critical part of our engagement with the GOI and the Iraqi people at all levels. The United States is pursuing several coordinated initiatives to improve the capacity of Iraq's central government and ministries. In addition to working with key ministries to improve their ability to carry out core functions, such as strategic planning and policy development, budgeting, training, and managing a personnel system, CD programs are now being implemented in the Prime Minister's and Deputy Prime Minister's offices as well as the CoM Secretariat. PRTs have greatly expanded U.S. efforts to build Iraqi capacity at the provincial and local levels.

The National Capacity Development Program (NCDP) involves active engagement on the part of the Embassy and USAID with the leadership and working-level civil servants at the Iraqi ministries. The Iraq Transition Assistance Office (ITAO) oversees several short-term projects organized to enable rapid response to immediate priorities. These projects, as well as the long-term program administered by USAID's *Tatweer* and the Embassy Rule of Law program, are designed to assist Iraq's transition to self-sufficiency by enabling the government to provide security, ensure rule of law, deliver essential services to the Iraqi people, and develop a market-driven economy through democratic processes. The USAID *Tatweer* program is designed to meet this goal by developing the skills and qualifications of public servants through public management and administration training, strengthen the systems and processes through dedicated expatriate and local Iraqi ministerial advisors, and strengthen GOI's professional training capabilities and outreach.

Both the short- and long-term programs have resulted in improved budget execution in both the provinces and the ministries. MoF data indicated that GOI ministries have already outpaced their full-year 2006 capital budget execution rate of 15 percent. Ministries have spent an average of 27.2 percent of their 2007 capital budgets through August 31. It is important to note that from July 15 to August 31, ministerial capital budget execution increased from \$1.535 million to \$1.752 million, a 12 percent increase.

In order to coordinate USG and U.S. Military efforts across an entire city or province, PRTs bring together State Department Team leaders, DoD civilian and

military personnel, USAID development advisors, and other civilian agency representatives who then coordinate with Iraqi local and provincial officials.

The 10 original PRTs have been instrumental in building the capacity of provincial governments to allocate and spend the decentralized capital budget that they have only received for the past two years. Officials in Baghdad and at the PRTs have assisted the new provincial governments to become among the most effective organizations in the country at turning Iraqi funds into projects that benefit citizens. PRTs report that provincial governments have committed approximately 61 percent of their 2007 capital budgets through November 10, while simultaneously committing and disbursing a majority of their 2006 budgets that were carried over into 2007. This substantial progress indicates a significant improvement in both ministerial and provincial capacity development in the area of budget execution.

USAID's *Tatweer* program is expanding into the provinces by establishing regional centers in Erbil, Basrah, and Mosul that train federal government employees operating in the governorates. Based on the training-of-trainers approach, these regional offices will remain long after the U.S. presence has been reduced in Iraq and will continue training at the provincial level in areas such as fiscal, project and information technology management, in addition to human resources, strategic planning, leadership, and communications.

USAID's *Tatweer* program has awarded two contracts for Iraqi firms to extend public administration training to 15 Iraqi governorates. The Iraqi American Chamber of Commerce and Industry (IACCI) and the Foundation for Technical Education (FTE) will roll out training over the next year. Training should begin in Anbar, Kirkuk, Baghdad, and Mosul by the end of the year, and then roll out to Basrah, Kerbala, Najaf, Babil, and Muthanna 30 days later. A month after that, training will be rolled out to Dhi-Qar, Qadissiaya, Wassit, Diyala, Salah ad-Din, and Maysan. PRTs help identify strong candidates from the federal service and back-ups from the provincial government.

Addressing corruption is a top priority for the Iraqi government. The USG and Iraqi government have instituted anti-corruption training and have put into place several systems to improve the monitoring and auditing of funds. Prime Minister Maliki has supported anti-corruption initiatives to clean up corruption in his administration.

Prime Minister Maliki provided crucial support to the formation of the Joint Anti-Corruption Council, which coordinates anti-corruption activities and discusses joint policy initiatives within the GOI. He also gave a direct order to an Iraqi General to clean up rampant corruption at the Bayji oil refinery that was funding insurgents, and allocated funding to an anti-corruption academy.

The GOI has taken another significant step to fight corruption by increasing domestic fuel prices to regional levels, as it pledged to do under Iraq's IMF Standby Arrangement. This action addressed a large source of corruption in Iraq and also helped to undercut the insurgency, for which profit from black market fuel sales was a major source of funding. The Iraqi Government has also instituted much more transparent procedures for its 2007 budget, which are making the ministries more accountable.

Because public sector corruption is such an important concern, anti-corruption themes are an integral part of USG governance programs in Iraq and are vital to the success of our mission there. The Office of Accountability and Transparency at the Embassy coordinates all USG anti-corruption programs in Iraq. From our efforts at the national ministries in Baghdad to our PRTs around the country, we work with Iraqis to incorporate good governance, fiscal transparency, and accountability into public operations. Our PRTs also incorporate anti-corruption themes and activities into their programs, including budget acquisition and accountability processing.

USAID's *Tatweer* program has already conducted six sessions specifically on anti-corruption in Baghdad and Erbil. As of June, anti-corruption elements have been fully integrated into all subject matter courses. USAID's *Tatweer* Anti-Corruption program is expanding to provide more direct training and technical assistance to Inspectors General and the major anti-corruption institutions (the Board of Supreme Audit and the Commission on Public Integrity). At the provincial level, the Local Governance Program (LGP), also administered by USAID, works with officials in the provincial councils to combat corruption by establishing transparent procurement processes and tracking resource flows and progress towards capital project completion.

Capacity-building efforts for the MoD and MoI are led by the DOD and are addressed in Section IV (D).

(D) Accelerating the delivery of basic services;

Iraqi electricity supply recovered rapidly in the months after the war, but the gains slowed by early 2004. For the next three years, supply varied seasonally and year-on-year gains were slight. New generation was added, but security problems, fuel shortages, and inadequate maintenance limited its impact. Electricity supply was above the sustainable pre-war level but fell short of the level achieved by the Saddam regime during a brief period immediately before the war.

This pattern continued through August of this year, but since then electricity supply has for the first time registered large year-on-year gains. September supply reached an all-time high, and average supply for September-November was more than 10 percent above the level for those months in any prior year before or after the war. Increased generating capacity, improved security and, probably most important, improved operation and maintenance standards all contributed to the gains. It is worth noting that unplanned outages have fallen sharply in recent months.

Additional generation will become available during the next year, but it will have limited impact unless the supply of fuel increases. Already hundreds of megawatts of generating capacity remain idle for lack of fuel. That number will grow unless increases in generating capacity are matched by increases in fuel supply. Over the long run, additional fuel can come from the development of Iraq's own hydrocarbon resources, but over the next year, it can come only from increased imports of diesel.

The GOI's target crude oil production is 2.1 million barrels per day (mbpd), and the export target is 1.7 mbpd. The GOI's budget assumes a \$50 per barrel price. Crude oil production averaged 2.36 million barrels per day during the fourth quarter of 2007. This represents a 12.8 percent increase over third quarter performance. Crude oil exports averaged 1.59 million barrels per day during the fourth quarter of 2007. This represents a 10.1 percent decrease from third quarter performance. Crude oil prices were well above the \$50 per barrel target during the fourth quarter of 2007.

(E) Securing the delivery of pledged economic assistance from the international community and additional pledges of assistance; and

The ICI, launched at a high-level meeting attended by more than 70 countries in Sharm El-Sheikh on May 3, is providing the framework for

coordinating and enhancing the impact of donor assistance to Iraq in the context of setting Iraq on a course to economic self-sufficiency by 2013. At its October 29 meeting in Bari, Italy, the Donors Committee of IRFFI agreed to modify the IRFFI's terms of reference to bring its goals and operations fully into alignment with those identified in the ICI. The GOI also took significant steps in this quarter to establish an ICI Secretariat -- officially announced in the December 10 ICI Baghdad Coordination Group meeting chaired by Prime Minister Maliki -- which is responsible for supporting ICI implementation within the GOI and among Iraq's donors. Secretariat leadership and staff have been appointed and started work, and the Thematic Working Groups (which are responsible for developing the Iraqi government's sector-specific strategies and identifying priorities for donor assistance) have begun to meet. Iraqi and UN consultants are working to implement new standard operating procedures for donors to report their activities to Iraq's comprehensive Development Assistance Database. The new procedures aim to stimulate donor reporting and make the database a more effective tool for analysis and planning. These efforts seek to foster closer coordination of donor efforts to support the Iraqi government's commitments to basic economic reforms and good governance.

During this quarter, new developments included the exchange of notes between the governments of Iraq and Japan approving soft loans for infrastructure projects worth up to \$2.1 billion. Kuwait donated \$60 million in new humanitarian assistance. Iraq is taking the final steps needed to make effective an additional \$399 million in concessional lending from the World Bank for electrical, educational, and road infrastructure projects. Italy is also discussing providing soft loans in the amount of 400 million euros.

Taking into account that the European Commission and others have disbursed assistance in amounts above their pledges to Iraq, and including assistance pledges made at the ICI launch in May 2007, the total amount of assistance pledged and assistance disbursed above pledged amounts since the 2003 Madrid conference is about \$16.2 billion (excluding the United States). Of this amount, some \$5.5 billion represents estimates by the World Bank and IMF of loan facilities that would be available to Iraq should it choose to use them. To date, Iraq has not chosen to access these facilities. Total donor disbursements and firm commitments amount to an estimated \$6.0 billion, including the recently approved Japanese soft loans. As of September 30, there are 148 IRFFI projects (132 UN, 16 World Bank) worth about \$1.5 billion in various stages of completion across all sectors, including water, electricity, education, health, and others. The most recent data available shows that, of the \$1.3 billion in the UN-administered Iraq Trust

Fund, \$1.06 billion has been committed to specific projects and \$677 million has been disbursed. Of the \$462 million pledged to the World Bank Iraq Trust Fund, more than 99 percent has been delivered to the fund; \$455 million has been committed to specific projects, of which \$237 million has been awarded in contracts.

Iraq is on track to meet its obligations under the IMF's SBA for Iraq, although Iraq has not drawn on the \$685 million in balance of payments relief facilities made available by the IMF under Iraq's SBA. The Iraqi government continues to coordinate its annual budgets with the IMF. The United States and other donors work closely with the Iraqi government and with each other to ensure that projects and programs are not duplicative and are integrated with the Iraqi government's development planning. The Baghdad Coordination Group, consisting of United States and other donor representatives, continues to work alongside the ICI and IRFFI secretariats to coordinate donor activities.

Iraq made further progress this quarter toward reducing its external Saddam-era debt burden. This is another top priority for Iraq's economic development and a key focus of U.S. donor coordination. Most notably, Bulgaria agreed to cancel its \$3.51 billion in Iraqi debt in exchange for cash payment of about \$360 million. As of the end of November, a number of Paris Club and other sovereign creditors reached agreements to reduce Iraq's debts by about 80 percent, for a total of \$36.5 billion in debt reduction. Iraq is estimated to have between \$63.3 and \$86.3 million in debt remaining. In addition, Iraq has settled on Paris Club-like terms for about \$19.7 billion in debts owed to commercial creditors --bringing total debt reduction above 50 percent. Russia is the only Paris Club member that has not yet signed a bilateral agreement to reduce its Iraqi debt, estimated at over \$5 billion. However, the Russians recently expressed their intention to reach a debt accord. The United States has previously gone beyond Paris Club terms to forgive 100 percent of the \$4.1 billion in U.S.-held Iraqi debt.

Progress with non-Paris Club official creditors remains slow; however, Iraq is reaching out to its other creditor countries, including the Persian Gulf states. The largest non-Paris Club creditors are Saudi Arabia and Kuwait, which hold an estimated \$35-45 billion in claims. At the launch of the ICI, Saudi Arabia reiterated its pledge to forgive on Paris Club terms. The United States continues to encourage all non-Paris Club creditors to provide debt reduction to Iraq on terms at least comparable to those offered by the Paris Club. The Iraqi government is holding technical talks on debt reduction with China, Saudi Arabia, Jordan, and Greece, among other sovereign creditors. With regard to commercial debt, the

market price of Iraqi debt bonds has increased since the debt-for-bond exchange offers made to large creditors in 2005 resolved more than 10,000 claims worth more than \$19.7 billion.

The United States, in coordination with the Iraqi government, actively encourages its international partners and allies to make new pledges of assistance (bilateral or multilateral aid), as well as to disburse existing pledges committed to Madrid in 2003. The United States is in regular high-level and working-level contact with current and prospective international donors.

(F) Training Iraqi Security Forces and transferring additional security responsibilities to those forces and the Iraqi government.

The MoD and MoI forces continue to expand in number and improve in capability. As of November 15, 2007, these forces consist of approximately 491,000 personnel based on payroll data. Also as of November 15, 117 army battalions have been generated and are conducting operations at varying levels of capability; another 42 are currently in or planned for force generation. Ten Iraqi Army division headquarters, 34 brigade headquarters and 108 battalions are in the lead for counterinsurgency operations within their assigned areas of operations, and Iraqi Ground Forces Command (IGFC) has command and control of two additional divisions; these two divisions are under the further control of the Baghdad Operations Command (BOC).

The MoI, in coordination with MNF-I, has begun a process of assessing the force levels required to maintain law and order in each Province in Iraq, resulting in increases to authorized levels. This assessment started in Baghdad and is expanding first to other key provinces. A mature, integrated recruiting, screening, training, equipping, and basing system required for aggressive growth of police forces to meet present challenges, while continuing to recruit for baseline manning replenishment, is not yet fully implemented. The current IPS assigned strength is approximately 255,000 police, and 46,466 additional personnel have been requested by eight provinces. Most notably, police force expansions continue on an unprogrammed basis. Increases in provincial police authorizations have occurred in an ad-hoc fashion based on requests from the Provincial Directors of Police (PDoPs) or local government officials. Hiring in the Sunni provinces has been slowed by the Implementation and Follow-up Committee for National Reconciliation (IFCNR) vetting process through which many recruits must pass. As police payrolls continue to swell, the MoI headquarters has no existing mechanism to correctly match the limited funding it receives from the national

budget with valid requirements and growth projections. The MoI has issued hiring orders for 12,028 (23 percent) of these personnel while orders are pending for the rest.

As of November 15, 2007, of the 39 authorized National Police (NP) battalions that are operational, ten have achieved operational readiness assessment level 1 or 2 indicating the ability to plan, execute, and sustain counter-insurgency operations with some Coalition support. For the remaining units shortages of personnel, individual soldier equipment and reliable vehicles hinder their operational capabilities. A brigade-sized operational reserve consisting of a mechanized battalion from the Army, an NP battalion, and a Special Forces company was also established this year. In addition, Italian Carabinieri, through the NATO Training Mission, Iraq, are conducting battalion level advanced training for these forces. NP ability to operate without Coalition assistance is progressing.

Although 77 percent of Iraqi Army units are assessed as being able to plan, execute and sustain operations with minimal or no assistance from Coalition forces, the MoD and MoI overall continue to require substantial assistance for logistics and combat enablers. The U.S. Government continues to fund efforts to develop the ministries' capacity to support and sustain their forces, focused mainly on improvement of facilities at Taji National Depot, development of operational and tactical-level logistic units, and continued advisory support at all levels of the ministries and their forces.

Embedded ministry advisors report steady but inconsistent improvement in the abilities of the MoD and MoI to perform key ministerial functions; develop and implement plans and policies; and provide direction and oversight to intelligence, personnel management, acquisitions, logistics, communications, and budgeting. U.S.-funded programs and advisory efforts continue to improve the capabilities of the Iraqi forces. Issues that continue to be addressed include internal sectarian biases, commissioned and non-commissioned officer shortfalls, and logistics deficiencies. Dependence on the Coalition for many combat support functions will continue to impact the Iraqi government forces' ability to operate without Coalition assistance.

The majority of Iraqi police academies are now under Iraqi control. Police training responsibilities are primarily conducted by Iraqi instructors in police training centers in Iraq, though the MoI is expanding its career and professional-level training through the establishment of advanced training schools at satellite locations in Basrah and Mosul.

Transition teams support the development of the Iraqi Police Service and the Iraqi National Police. To assist the continued development of the Iraqi Police Service, 247 Police Transition Teams (PTT) are deployed, including eight at provincial police headquarters, 66 at district headquarters, and 173 at local stations. Each team has approximately 11-15 members, of which up to three or four are International Police Advisors hired as contractors by the Department of State. To conduct their missions, PTTs travel to stations to train, advise, and mentor the Iraqi police and to conduct joint patrols with them. These joint PTT/Iraqi Police Service patrols promote active community policing and work to improve the reputation of the police among the Iraqi people. Forty National Police Transition Teams (NPTTs) now support the development of National Police units by mentoring, training, and facilitating communication with Coalition forces. NPTTs assess the readiness and operational capability of the National Police, similar to the tasks performed by Military Transition Teams with Iraqi Army units.

II. Whether the Iraqis have made the compromises necessary to achieve the broad-based and sustainable political settlement that is essential for defeating the insurgency in Iraq.

At the August 26 Leaders Conference, five top political leaders -- Prime Minister Maliki, the three members of the Presidency Council (Jalal Talabani, Adel Abd al-Mahdi, and Tariq al-Hashimi), and Kurdistan Regional Government President Ma'sud Barzani -- signed a communiqué affirming agreements reached related to power-sharing mechanisms, de-Ba'athification reform, provincial powers, and the intent to develop a long-term strategic partnership with the United States based on common interests. The leaders have subsequently worked to implement the provisions of the communiqué.

A further example of political progress was the consultative process between Iraq's political leaders, including the CoR, to facilitate the signing of the U.S.-Iraq Declaration of Principles on November 26. Gaining broad-based political consensus prior to the Prime Minister's signature of the Declaration has helped to ensure that the decision to negotiate a future relationship between Iraq and the United States, and the principles that will be taken into account in those negotiations, have buy-in by all major Iraqi political parties.

The GOI has provided economic assistance and engaged the international community to address the issue of refugees and IDPs, that status of which impacts the progress of national reconciliation. At the UNHCR international conference on displaced Iraqis in April, the GOI pledged \$25 million for refugee assistance. In

early November, Iraqi Finance Minister Bayan Jabr met with Syrian and Jordanian officials to deliver these pledged funds to both countries, which host the majority of Iraqi refugees. Minister Jabr distributed \$15 million directly to the Syrian Arab Government in support of Iraqi refugees; however, the \$8 million allocated for the government of Jordan has not yet been distributed as the GOJ wants the funds distributed through UN agencies. The GOI has also not yet distributed the expected \$2 million to the government of Lebanon. On December 5, the Iraqi Ministry of Displacement and Migration, in conjunction with UNAMI, launched a Joint Rapid Response Plan that aims to assist 30,000 returning Iraqi refugees with an immediate relief package. The Response Plan will be expanded based on the results of a needs assessment that the Ministry will conduct in Baghdad, the response capacity of UN agencies, and the level of GOI funding for the plan.

Prime Minister Maliki has taken steps to fill his Cabinet, but this process has been slow. The Health and Agricultural ministers, both considered independent technocrats, were nominated by the Prime Minister and subsequently approved by the CoR, filling two Cabinet positions previously held by Sadrists. However, other Cabinet positions formerly filled by Sadrist, Tawafuq, and Iraqiya blocs remain vacant. Talks have occurred between Tawafuq representatives and the Prime Minister's office to end their Cabinet boycott. A full Cabinet representing all major political parties is essential for a unity government that can best serve all its citizens.

The central government is facilitating the decentralization of power to provinces by increasing provincial budgets. This helps to ensure a sustainable balance of authority in Iraq's federal system between the central and provincial governments. For example, the Provincial Council of Babil was rewarded for its effective budget execution with an additional \$40 million in its 2007 capital expenditures budget. The Provincial Council of Anbar received a 70 percent increase in its 2007 provincial capital budget as well as \$50 million in compensation for losses suffered in the fight against al-Qaida. The amount of money expected to be allocated to provincial governments in 2008 will increase significantly compared to 2007.

Political accommodation is occurring in provincial governments as well. For example, Baghdad provincial government representatives recently held the first in a series of coordination meetings focused on improving services in Sunni-majority communities in suburban and rural Baghdad. The provincial leaders seek to create a regular forum that would facilitate tracking and coordination of infrastructure projects planned and executed by GOI institutions, coalition units,

and PRT and ePRTs. This development is noteworthy because a Shi'a dominated provincial government is taking concrete steps to improve services in a largely Sunni outlying community.

By engaging a wider, more representative constituency, provincial governments are improving their responsiveness to their citizens. For example, more than 300 Sunni and Shi'a tribal leaders from the qada of Taji attended the Baghdad Regional Security Summit on November 8. The summit allowed Taji Sheikhs to voice local concerns directly to attending GOI officials. Improved dialogue will help to facilitate sustained reconciliation.

Provinces are reaching new accords to account for inequities in representation that resulted from provincial elections largely boycotted by Sunnis. For example, in Kirkuk, Kurdish and Sunni Arab government officials reached a power-sharing accord and ended a year-long Sunni Arab boycott of the Kirkuk Provincial Council. Kurdish lawmakers agreed to allot one-third of government jobs to Arabs and to appoint an Arab as deputy governor. This will allow Sunnis to increase their influence in the province prior to elections taking place.

The transition of CLC participants into more permanent and sustainable employment programs is a political policy challenge for the GOI critical to defeating the insurgency in Iraq.

III. Any specific conditions included in the April 2005 Multi-National Force-Iraq campaign action plan (referred to in United States Government Accountability Office October 2005 report on Rebuilding Iraq; DOD Reports Should Link Economic, Governance, and Security Indicators to Conditions for Stabilizing Iraq), and any subsequent updates to that campaign plan, that must be met in order to provide for the transition of additional security responsibility to Iraqi Security Forces.

Coalition forces continue to transfer responsibility for security to PIC. The total number of provinces for which the GOI has lead security responsibility increased to nine of 18 provinces when Basrah Province transitioned to PIC on December 16.

The Joint Committee for the Transfer of Security Responsibility (JCTSR) established a set of conditions that a province must meet prior to transition. The conditions are assessed in four key areas: Threat, ISF, Governance, and MNF-I Forces. The Security component focuses on the ISF's ability to maintain a secure

environment and the provincial government's ability to direct security forces. The JCTSR continues to evaluate the conditions in the key areas in each province and make recommendations to the government on PIC timing in the remaining provinces. It is expected all provinces will transition to PIC in 2008.

Since the establishment of the JCTSR, the central government has increased its desire to control security at both the federal and provincial level. The JCTSR has worked to balance this desire with their capacity for self governance and security sustainability.

IV. To the extent that these conditions are not covered under paragraph III, the following should also be addressed:

(A) The number of battalions of the Iraqi Armed Forces that must be able to operate independently or to take the lead in counter-insurgency operations and the defense of Iraq's territory;

There is no set number of battalions of the Iraqi Armed Forces that must be able to operate independently or to take the lead in counter-insurgency operations and the defense of Iraq's territory. The current endstate for force generation is 159 Iraqi Army battalions; this could change as Iraqi force generation plans evolve..

(B) The number of Iraqi special police units that must be able to operate independently or to take the lead in maintaining law and order and fighting the insurgency;

There is no set number of Iraqi special police units that must be able to operate independently or to take the lead in maintaining law and order and fighting the insurgency. The current endstate for Ministry of Interior National Police is 39 battalions; this could change as Iraqi force generation plans evolve.

(C) The number of regular police that must be trained and equipped to maintain law and order; and

The Ministry of Interior-authorized number of regular police personnel is 271,850. As of November 15, 2007, 255,601 police are on the payroll.

(D) The ability of Iraq's federal ministries and provincial and local governments to independently sustain, direct, and coordinate Iraq's security forces.

The security ministries, with the MoD in the lead, have shown some improvement in management, planning, and sustainment capabilities. The notable exception is an inability to adequately forecast life support requirements and to promptly take action when contracts are expiring. Multinational Security Transition Command-Iraq (MNSTC-I) advisors are recommending that implementation be phased in over time. The construction of national-level maintenance and warehousing facilities at the Taji National Maintenance and Supply Depots should be completed by 2009. Training enough personnel in critical logistics trades to staff fully these depots will take longer. The MoD, Iraqi Joint Headquarters, Iraqi Ground Force Command, Army Divisions, and MNSTC-I are working diligently on the process of training logisticians for combat, base support, and depot-level positions.

Both ministries still receive substantial logistics support from the Coalition, mostly in the form of U.S.-funded contracts, but to some degree as direct support. The Iraqi forces are dependent on Coalition support to move supplies to Base Support Units (BSUs) (formerly Regional Support Units), Garrison Support Units (GSUs), and police warehouses. Once at the BSU or police warehouse, Iraqi forces distribute commodities to the end user. Both the MoD and the MoI are now capable of supplying fuel to their units but at times Coalition units provide fuel for Iraqi vehicles and generators on an emergency basis when allocations to MoD and MoI from the Ministry of Oil (MoO) are below required levels. To normalize direct support, the Department of Defense and the MoD continued discussions during this quarter on the development of an Acquisition and Cross Servicing Agreement for the reciprocal provision of logistic support, supplies, and services on a reimbursable basis.

V. The criteria to be used to evaluate progress toward meeting such conditions necessary to provide for the transition of additional security responsibilities to the Iraqi Security Forces.

Security transition can only occur after four criteria are met:

- **Implementation of Partnerships**—MNF-I and its Major Subordinate Commands must establish and maintain partnerships across the entire spectrum of ISF units, from battalion to ministerial level;
- **Achievement of Iraqi Army Lead (IAL)**—Process during which Iraqi Army units progress through stages of capability from unit formation to the ability to conduct counter-insurgency operations;
- **Attainment of PIC**—Iraqi civil authorities satisfy the conditions required to assume control and exercise responsibility for the security of their respective provinces. This is measured by their performance against the four conditions described in section III above, and considering the ability of Coalition forces to reinforce the ISF if necessary readiness and capabilities of ISF; levels of present and projected insurgent activity; and the readiness and capabilities of relevant government institutions;
- **Iraqi Security Self-Reliance**—The Iraqi government achieves PIC (or a combination of PIC and IAL) throughout Iraq; and the government, through its security ministries, is capable of planning, conducting, and sustaining security operations and forces. The four criteria -- implementation of partnership, IAL, PIC, and Iraqi Security Self-Reliance -- are proceeding at a different pace in each province. That is, some provinces will have achieved full Iraqi Security Self-Reliance while others are working to achieve an Iraqi Army Lead.

VI. A plan for meeting such conditions, an assessment of the extent to which such conditions have been met, information regarding variables that could alter that plan, and the reasons for any subsequent changes to that plan.

The on-going implementation of the *New Way Forward* strategy, which plans for meeting the conditions, supports the transfer of security responsibility to the Iraqi government. We assess that the additional Iraqi and Coalition forces have permitted the military commanders an enhanced ability to hold previously cleared neighborhoods. Prime Minister Maliki has established a Baghdad Operations Command with 10 Security Framework Districts, with an Iraqi brigade, partnered with a U.S. battalion, permanently located in each. Joint Security Stations and Coalition Outposts have been established to facilitate cooperation between Coalition and Iraqi forces and to build trust and confidence with the local population. In Anbar, the additional U.S. Marines have provided military

commanders the ability to retain momentum with recent operational gains against AQI networks. Throughout Iraq, our embedded teams advising Iraq units are being substantially increased in size to improve ISF operational capabilities more rapidly. As the security has improved, economic reconstruction programs enabled by Iraqi and Coalition funding and expanded PRTs are assisting with basic services and improving economic opportunities for Iraqi citizens. Some variables affecting the plan include the transition of a province to PIC, overall attack levels and security trends, and public perceptions of local security.

CLC programs have been established through which members of communities (including former insurgents) work with Coalition and Iraqi forces to protect their neighborhoods and critical infrastructure. This program enhances the ability of Coalition and Iraqi forces to interact with local residents and obtain information on insurgents and illegal militia activity. The CLC movement is proving crucial to the counterinsurgency effort and will require continued support. Efforts to transition these CLC personnel to regular positions in the army or police or to provide other employment opportunities are underway but these efforts are moving slowly. The pace of integrating the CLC members into GOI institutions, lack of alternative employment and fears by the Maliki government that these forces may return to violence or form new militias are of concern.

For additional details on ISF training, capability, and progress, refer to the quarterly report to Congress “Measuring Stability and Security in Iraq,” http://www.defenselink.mil/home/features/Iraq_Reports/index.html.

For additional information on reconstruction, assistance, and the delivery of essential services, please refer to the 2207 Quarterly Report to Congress on The Iraq Relief and Reconstruction Fund (IRRF), <http://www.state.gov/p/nea/rls/rpt/2207>, or for general information on the status of political, economic, and security efforts, the Weekly Status Report, available on the Department of State web site, <http://www.state.gov/p/nea/rls/rpt/iraqstatus/>.